



THE CITY OF SAN DIEGO

DATE ISSUED: April 13, 2010 REPORT NO: RA-10-20

ATTENTION: Honorable Chair and Members of the Redevelopment Agency,
Docket of April 20, 2010

SUBJECT: Redevelopment Agency Debt Repayment Capability

THIS IS AN INFORMATION ITEM ONLY. NO ACTION IS REQUESTED OF THE REDEVELOPMENT AGENCY BOARD

BACKGROUND:

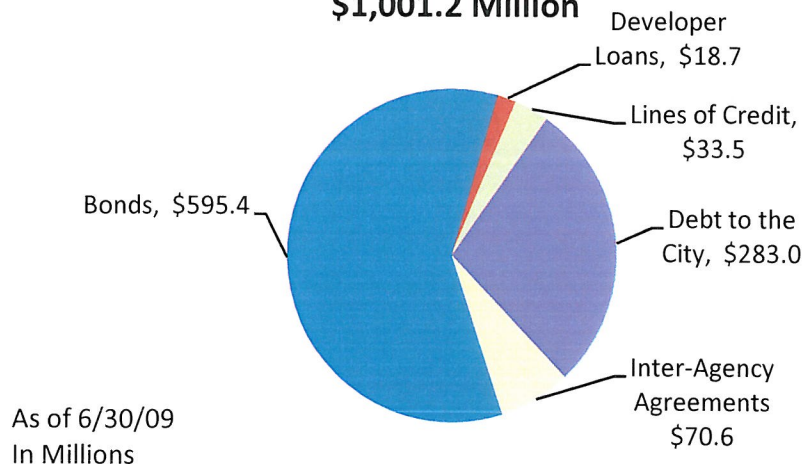
At the February 1, 2010 meeting of the City's Audit Committee, the Committee requested staff to provide information and analysis on the outstanding debt of the Redevelopment Agency and the capability of the Agency to repay the debt. Staff provided detailed information on the Agency's debt to the City at the Redevelopment Agency hearing of February 23, 2010. (Refer to Redevelopment Agency Report RA-10-11.). This report provides additional information on the comprehensive debt of the Agency and addresses the Agency's capability to repay the debt.

REDEVELOPMENT AGENCY DEBT

The Agency's Long Term Obligations as of June 30, 2009 total \$1,001,264,000.

RDA Long Term Obligations

\$1,001.2 Million



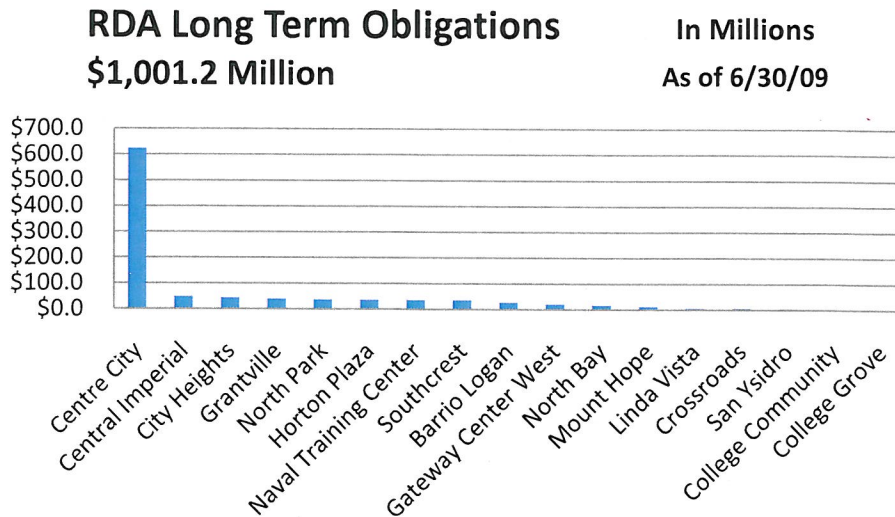
Redevelopment Agency

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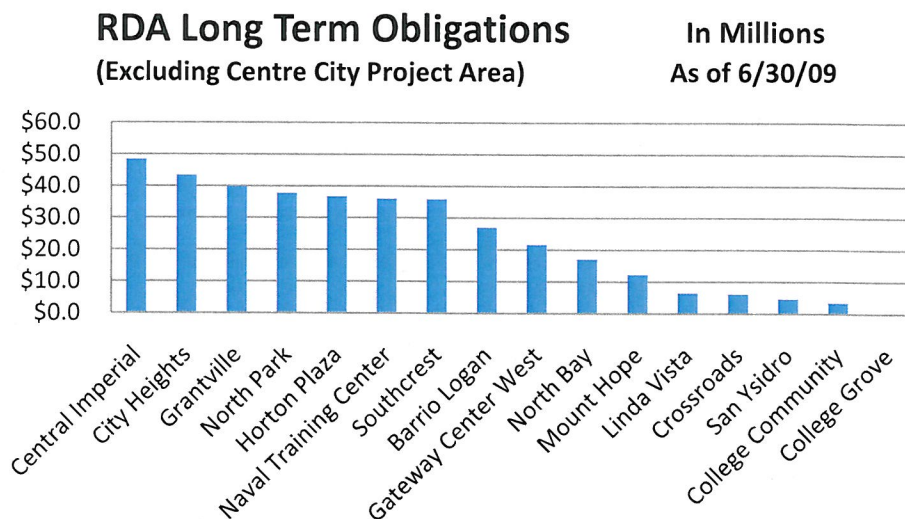
City Planning & Community Investment



The following chart summarizes the obligations by Project Area. The Agency has 17 Project Areas: 2 managed by Centre City Development Corporation (CCDC), 4 managed by Southeastern Economic Development Corporation (SEDC), and 11 managed by the City's Redevelopment Division.



Center City Project Area obligations total, \$624.5 Million, or 62% of the total debt. To facilitate illustration of the debt for the rest of the project areas, the following table displays the debt of the project areas with Centre City removed.



The same data is displayed below in tabular format to facilitate illustration.

| Project Area | Managing Entity | Long Term Obligations as of 6/30/09 |
|-----------------------|-----------------------------|----------------------------------------------------|
| Centre City | CCDC | \$624.5 |
| Central Imperial | SEDC | \$48.4 |
| City Heights | City Redevelopment Division | \$43.4 |
| Grantville | City Redevelopment Division | \$39.9 |
| North Park | City Redevelopment Division | \$37.7 |
| Horton Plaza | CCDC | \$36.7 |
| Naval Training Center | City Redevelopment Division | \$36.0 |
| Southcrest | SEDC | \$35.9 |
| Barrio Logan | City Redevelopment Division | \$27.0 |
| Gateway Center West | SEDC | \$21.7 |
| North Bay | City Redevelopment Division | \$17.1 |
| Mount Hope | SEDC | \$12.2 |
| Linda Vista | City Redevelopment Division | \$6.5 |
| Crossroads | City Redevelopment Division | \$6.2 |
| San Ysidro | City Redevelopment Division | \$4.7 |
| College Community | City Redevelopment Division | \$3.4 |
| College Grove | City Redevelopment Division | \$0.1 |
| Total | | 1,001.4 |

In Millions

ADJUSTMENTS

While the data on debt obligations presented above is as of June 30, 2009, a number of debt transactions have occurred since the close of Fiscal Year 2009. The following debt transactions have been taken into account for the determination of debt repayment capability.

| Project Area | Adjustment | Impact to Debt (In Millions) |
|-----------------------|-----------------------------------------------|-----------------------------------------|
| North Park | Issuance of Series 2009A Bonds, July, 2009 | \$13.9 |
| North Park | Line of Credit Pay Off | (\$8.5) |
| North Park | Line of Credit Draws | \$1.6 |
| North Bay | Line of Credit Draws | \$4.0 |
| Naval Training Center | Line of Credit Draws | \$3.0 |
| City Heights | Line of Credit Draws | \$2.9 |
| North Park | Development Debt Cancellation | (\$2.0) |
| College Community | Development Debt Cancellation | (\$1.0) |
| Crossroads | Development Debt Cancellation | (\$4.9) |

ASSUMPTIONS FOR THE DEBT REPAYMENT ANALYSIS

- Assessed Valuation growth no greater than 0% in FY 11, 1% in FY 12, and 2% per year afterward. (Projections vary by project area).
- The Agency's Line of Credit draws are refinanced via Bond Issuances upon maturity with an assumed interest rate for capacity illustration purposes of 7%. No additional bond issuances are assumed for the purposes of this analysis, though the Agency will request authorization to issue bonds in the future.
- The HUD OIG CDBG debt repayment¹ is made per the repayment schedule presented to the Agency Board on February 23, 2010.
- The FY 2010 and FY 2011 ERAF² Obligations are paid as presented to the Agency Board on February 23, 2010.
- All future interest accrual on Agency debt to the City is assumed to be suspended.

REDEVELOPMENT PROJECT LIMITS

Redevelopment project areas typically have a number of project limitations, as follows:

- Project Area Time Limit: Project activities terminate on this date.
- Debt Establishment Time Limit: Project area may not incur additional debt after this date.
- Tax Increment Time Limit: Project area may not receive Tax Increment after this date.
- Tax Increment Cap: Project area may not receive cumulative Tax Increment over the life of the Project Area in excess of the Cap.
- Bonded Indebtedness Cap: Dollar limit of the bonded indebtedness that a project area may have at any given time.

These limitations have been taken into account for each project area's debt capability analysis. The limitations vary widely by project area and all limitations do not apply to all project areas.

OVERALL REPAYMENT CAPABILITY

The Agency estimates it will be able to repay 93.5% of the total debt obligation, including 100% of all Bond Debt and Third Party obligations and 76.9% of all debt obligations to the City. Should the City elect to forgive CDBG debt (the portion of CDBG debt outside of the proposed CDBG Repayment Plan presented at the February 23, 2010 Redevelopment Agency Hearing), additional debt obligations to the City could be repaid, resulting in a return to the City of additional monies that could be used for unrestricted purposes.

¹ Repayment associated with the Audit Report dated December 30, 2008 of the City's Community Development Block Grant Program (CDBG), produced by the Office of Inspector General (OIG) of the U.S. Department of Housing and Urban Development (HUD).

² Education Revenue Augmentation Fund. Refer to Redevelopment Agency Report RA-10-11 dated February 17, 2010.

PROJECTED SHORTFALLS

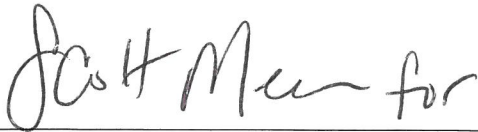
Current projections indicate the following Project Areas will not have the capacity to repay a portion of their respective outstanding debt to the City. However, the time horizons for the affected project areas are still many years out. Tax revenue growth in the long term may be significantly greater than the conservative growth rates assumed for this analysis. For some of the affected project areas, the shortfalls are compounded by cap limitations on Tax Increment. Actions can potentially be taken to increase the Tax Increment caps. Staff will provide the Agency Board an updated debt repayment forecast annually in conjunction with the Annual Budget, as a means to monitor this situation on an annual basis.

| PROJECTED DEBT REPAYMENT SHORTFALLS | | | | | | | |
|-------------------------------------|---------------------|--------------------------------|-------------------------|---------------------------------------------|--------------|---------------------------------------------|--------------------------------------------------|
| Project Area | Managing Entity | Debt to the City (In Millions) | Project Area Expiration | Tax Increment Time Limit for Debt Repayment | Time Horizon | Tax Increment Cap Affecting Repayment (Y/N) | Estimated Debt Repayment Shortfall (In Millions) |
| Barrio Logan | City Redev Division | \$27.0 | 5/20/32 | 5/20/42 | 32 yrs | NO | \$18.0 |
| Linda Vista | City Redev Division | \$6.5 | 11/21/12 | 11/21/22 | 12 yrs | NO | \$5.1 |
| Gateway Center West | SEDC | \$21.1 | 11/17/19 | 11/17/29 | 19 yrs | YES | \$21.5 |
| Mount Hope | SEDC | \$5.6 | 11/22/25 | 11/22/35 | 25 yrs | YES | \$2.9 |
| Southcrest | SEDC | \$19.8 | 4/1/27 | 4/14/37 | 27 yrs | YES | \$17.8 |
| Total | | \$80.0 | | | | | \$65.3 |

PROJECT AREA DETAIL – LONG TERM OUTLOOK

The attachment illustrates the Long Term Outlook for each project area.

Respectfully submitted,



Janice Weinrick
Deputy Executive Director

Attachment:

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